

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /165 W

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R 131730Z JUN 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7051

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION OECD PARIS

C O N F I D E N T I A L EC BRUSSELS 4111

E.O. 11652: GDS

TAGS: ENRG OPEC EEC

SUBJECT: OPEC MEETING QUITO JUNE 15

REF: EC BRUSSELS 4058

THE OFFICE OF EC COMMISSION VICE PRESIDENT SIMONET HAS NOW
GIVEN US IN CONFIDENCE THE TEXT OF THE AIDE-MEMOIRE WHICH IS
TO BE DELIVERED BY FRG AMBASSADORS ON JUNE 13 IN OPEC
CAPITALS AND TO THE OPEC SECRETARIAT. WE WERE TOLD THAT THE
SUGGESTION FOR THIS COMMUNITY ACTION ORIGINATED WITH SIMONET,
WHO FIRST DISCUSSED THE IDEA WITH HIS FELLOW COMMISSIONERS
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ON MAY 29. THE PROPOSAL WAS THEN FORWARDED TO THE COUNCIL

ON MAY 31 AND, AFTER APPROVAL AT THE PERM REP LEVEL, THE FOLLOWING TEXT WAS AGREED UPON AT BONN ON JUNE 10. THE MISSION'S INFORMAL TRANSLATION FOLLOWS:

BEGIN TEXT. AIDE-MEMOIRE OF THE COMMUNITY TO THE MEMBER STATES OF OPEC.

1. THE COUNTRIES OF THE COMMUNITY HAVE NOTED THE SUGGESTIONS MADE WITHIN THE FRAMEWORK OF OPEC TO INCREASE THE TAXATION ON CONCESSION CRUDE OIL. OPEC WILL BE DISTURBED INDEED BY THE GREAT PROFITS WHICH THE PETROLEUM COMPANIES WILL ACCRUE BY THE SALE OF THEIR CONCESSION CRUDE OIL AT INCREASED PRICES IN THE MARKETS OF CONSUMING COUNTRIES AND BY THE DISTORTIONS WHICH CAN BE CAUSED BY DIFFERENT PRICE LEVELS FOR CRUDE OIL.

THE COUNTRIES OF THE COMMUNITY ARE AWARE THAT THIS IS AN IMPORTANT PROBLEM WHICH AFFECTS THE STRUCTURE OF THE WORLD PETROLEUM INDUSTRIES.

2. THE INCREASE IN TAXATION ENVISAGED BY OPEC TO REMEDY THIS SITUATION IS BASED ON ARGUMENTS WHICH DO NOT APPEAR TO CORRESPOND TO REALITY AND WOULD POSE VERY GRAVE PROBLEMS FOR THE COUNTRIES OF THE COMMUNITY.

THE INCREASE IN THE COST OF CONCESSION CRUDE OIL WOULD LEAD TO AN IMMEDIATE INCREASE IN THE COST OF THEIR SUPPLIES AND WOULD THUS LEAD TO A MORE RAPID DETERIORATION OF THEIR BALANCE OF PAYMENTS AND TO AN INCREASE OF THE INFLATIONARY PRESSURES WHICH AFFECT THEM. THIS INCREASE IN THE COST OF SUPPLIES WOULD ALSO AFFECT DEVELOPING COUNTRIES AND WOULD HAVE A DAMAGING EFFECT ON THE PRODUCER COUNTRIES THEMSELVES. IT WOULD LEAD, IN EFFECT, TO A NEW INCREASE IN THE PRICES OF INDUSTRIAL PRODUCTS WHICH THESE COUNTRIES MUST IMPORT. FINALLY, IT WOULD MAKE THE EQUILIBRIUM OF INTERNATIONAL ECONOMIC RELATIONS AND THE RESTORATION OF ECONOMIC ORDER MORE DIFFICULT.

3. IN EFFECT, THE COMPANIES WOULD SUPPORT THE INCREASE OF TAXATION ENVISAGED BY OPEC ONLY IF THEY WERE ABLE TO COMMERCIALIZE THEIR PETROLEUM AT THE PRICE OF PARTICIPATION

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CRUDE. AT THE PRESENT TIME, ITS VALUATION ON THE EUROPEAN MARKET AND, APPARENTLY, ON THE JAPANESE MARKET IS FAR FROM THIS LEVEL. IN ADDITION, THE COST OF CRUDE OIL SUPPLIED TO THE EUROPEAN MARKET AND THE TRANSFER PRICES WHICH RESULT ARE NOT AT THE LEVEL OF CONCESSION CRUDE OIL, BUT AT AN AVERAGE PRICE BETWEEN THE PRICE OF CONCESSION AND PARTICIPATION CRUDE.

AS A RESULT, THE CURRENT PROFITS REALIZED BY THE COMPANIES FROM SALES EFFECTED ON THESE BASES DO NOT PERMIT THEM TO ABSORB THE ENVISAGED INCREASE OF TAXATION WHICH WOULD THEREBY BE REFLECTED IN THE PRICES TO CONSUMERS.

IN THIS REGARD, THE COUNTRIES OF THE COMMUNITY CONSIDER THAT THE ABNORMALLY HIGH PROFITS REALIZED BY THE COMPANIES DURING RECENT MONTHS ARE DUE LARGELY TO EXCEPTIONAL CIRCUMSTANCES.

4. THE COUNTRIES OF THE COMMUNITY ARE DETERMINED TO TAKE NECESSARY MEASURES IN ORDER TO BE INFORMED ABOUT THE MECHANISM OF PRICE FORMATION IN THE COMPANIES AND ON THE MARKETS WITH A VIEW TO ENSURING THE GREATEST POSSIBLE TRANSPARENCY OF PRICES.

THEY HAVE DECIDED TO SEE TO IT THAT THE COMPANIES DO NOT ABUSE THEIR POSITION IN ORDER TO REALIZE PROFITS WHICH WOULD NOT BE JUSTIFIED BY NORMAL MARKET CONDITIONS.

5. THE COUNTRIES OF THE COMMUNITY WISH TO DRAW THE ATTENTION OF THE OPEC CONTRIES TO THE PRESSING NECESSITY OF NOT UNDERTAKING A PROCESS OF TAXATION INCREASES WITHOUT HAVING ANALYZED IN APPROPRIATE PROCEDURES THE RESULTS FOR INTERNATIONAL PETROLEUM EQUILIBRIUM, IN THE CONSTRUCTION OF WHICH THEY HAVE ALWAYS NOTED THEIR INTEREST. END TEXT.GREENWALD

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